

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

DOCKET NO. 98-06-13

DPUC REPORT TO THE GENERAL ASSEMBLY ON AGGREGATION
DPUC REQUEST FOR PREFILED TESTIMONY

TESTIMONY OF

GARY A. LONG

ON BEHALF OF CL&P

JULY 30, 1998

1

2 **I. INTRODUCTION**

3 Q. Please state your name, position, and business address.

4 A. My name is Gary A. Long. My position is Vice President - Customer
5 Service and Economic Development for Public Service Company of
6 New Hampshire (PSNH), one of the utility operating companies of
7 Northeast Utilities (NU). My primary business address is 1000 Elm
8 Street, Manchester, New Hampshire.

9

10 Q. In addition to your position as a Vice President for PSNH, do you
11 have other responsibilities within NU?

12 A. Yes. The retail operations of PSNH, of which I am a part, are
13 organized within the Retail Business Group (RBG) of NU. I am on
14 assignment to serve as the RBG officer in charge of overseeing the
15 implementation of retail customer choice of generation services
16 within RBG in each of the three States served by the NU's utility
17 operating companies; namely, New Hampshire, Massachusetts, and
18 Connecticut.

19

20 Q. Please summarize your education and professional experience.

21 A. I received a Bachelor of Science degree in Electrical Engineering
22 from New Mexico State University in 1973 and a Master of Science
23 Degree in Electrical Engineering from Northeastern University in
24 1981. Prior to joining PSNH, I served as an officer in the United
25 States Air Force.

1 While employed at PSNH and NU, I have acquired extensive
2 experience in the area of cost studies, rates, tariffs, load research,
3 power contracts, marketing, and customer service. In the early
4 1980's, I directed the development of several PSNH computer
5 systems, including a large power billing system, a load research
6 system, an interval load data management system, and a revenue
7 reporting system.

8 More recently, at PSNH, I directed the negotiation, development and
9 implementation of the Retail Electric Competition Pilot Program for
10 PSNH. This pilot program was the first of its kind when it began in
11 1996. I have also provided guidance to Western Massachusetts
12 Electric Company in its implementation of retail customer choice in
13 Massachusetts this year.

14
15 Q. Have you testified previously before the Department of Public Utility
16 Control?

17 A. I have submitted written testimony in Docket nos. 98-06-16 and 98-06-

18 ~~17 A. and No, although~~ I have also testified on numerous occasions
19 before the New Hampshire Public Utilities Commission, and I have
20 submitted written testimony on several occasions before the Federal
21 Energy Regulatory Commission.

22
23
24 Q. What is the purpose of your testimony?

25 A. The Department requested the Connecticut Light and Power Company's
26 ("CL&P" or the "Company") comments on issues relating to standards

1 and procedures to facilitate aggregation of electrical load and end use
2 customers. My testimony will discuss the following issues relating to
3 aggregation:

- 4 1) the education outreach program;
- 5 2) billing format requirements;
- 6 3) solicitation procedures;
- 7 4) information requirements that assist customers in making
8 informed choices about purchasing electricity;
- 9 5) the right to change suppliers; and
- 10 6) third party verification requirements.

11 As requested, I will also comment for
12 the Company on whether licensing requirements for aggregators
13 should be moderated, whether licensing requirements should be
14 imposed on municipalities and other political subdivisions that
15 aggregate, and whether legislative changes are needed to facilitate
16 aggregation.

17 The purpose of my testimony is to provide information on behalf of Connecticut
18 Light & Power (CL & P) concerning the Department's investigation into
19 standards and procedures that facilitate aggregation of electrical load and
20 end use customers.

21 Q. Does the Company haveplace any general comments with respect to special
22 importance on this Docket?

23 A. Yes. The Company believes aggregators have an important role to play in
24 bringing market leverage to residential customers, small commercial customers and
25 others who might not be able to access the benefits of a competitive market.

- 1 • Smaller businesses and residential customers typically don't have the
2 resources that larger customers have to arrange energy from an
3 alternative supplier.
- 4 • Profit margins for energy are narrow and energy suppliers often do not have
5 resources to market to small businesses and residential customers.
6 Aggregators of small customers serve a viable marketing channel for
7 suppliers.
- 8 • Aggregators can assuage some consumer fears. They can study the
9 options, negotiate with suppliers and ease the path to an alternate,
10 reliable energy supply.

11 The danger from a consumer protection point of view which needs to be
12 explicitly stated to the customer is that of self dealing. That cCustomers
13 should explore affiliations that aggregators have with power suppliers have
14 and examine whether they give preferential terms to those affiliated suppliers
15 versus non-affiliated suppliers.aggregators they have alliances with versus
16 those they don't have alliances with.

17 CL&P believes that this docket will be significant in establishing the scope of
18 standards and rules for aggregators. The Company is of the opinion that that
19 aggregators have an important role to play in bringing market leverage to
20 residential customers, small commercial customers and others who might not
21 be able to access the benefits of a competitive market . The Company
22 believes that the Department will not need extensive standards and
23 procedures to facilitate aggregationit; that it will develop naturally as the
24 market evolves. Accordingly, CL&P believes that the Department should
25 place its emphasis on should look to the market to define the requirements
26 and to customer outreach programs to communicate those requirements.
27 Such programs, if they are effective, will to educate consumers, since
28 informed customers will be less likely to need far ranging regulatory and
29 consumer protections.

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1

2

Q. What are Electric Aggregators and Electric Suppliers?

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A. 4 The Act defines an electric aggregator, in general, as a person or municipality that
5 gathers together electric customers for the purpose of negotiating the purchase of
6 electric generation services from an electric supplier, provided such person,
7 municipality or authority is not engaged in the purchase or resale of electric generation
8 services, and provided further such customers contract for electric generation services
9 directly with an electric supplier. The Act also provides for instances in which the
10 Connecticut Resources Recovery Authority, and the Office of Policy and Management
11 may act as aggregators.

12 The Act defines an electric supplier as, any person, including an electric aggregator or
13 participating municipal electric utility that is licensed by the Department that provides
14 electric generation services to end use customers in the state using the transmission or
15 distribution facilities of an electric distribution company, regardless of whether or not
16 such person takes title to such generation services. The Act excludes certain municipal
17 electric utilities and -municipal electric energy cooperatives as well as electric
18 distribution companies from the definition of electric supplier.~~being licensed~~

19

Q0 What are the key differences between suppliers and aggregators?

20

A1 The key differences are (1) that aggregators cannot engage in the purchase or resale
22 of electric generation services, and (2) aggregators cannot contract with customers for
23 electric generation services. Both of these functions may be performed only by
24 suppliers.

25

26

Q7 What will be the relationship between Aggregators and distribution companies?

27

A.1 For the most part, aggregators will deal primarily with customers, in constructing
2 aggregated buying groups, and then suppliers, in matching these aggregated groups
3 with sufficient and properly priced electric generation services. Since customers must
4 contract directly with the relevant supplier for services, and aggregators cannot
5 purchase or resell electric generation services, distribution companies will rarely, if ever,
6 deal with an aggregator.

7 One possible area of interaction would be in making historic customer load and usage
8 information available upon request to an aggregator, but only upon proper authorization
9 by each affected customer, in accordance with Section 26 of the Act. ~~Another could be~~
10 ~~in providing customized billing and/or metering services, wholly apart from what the~~
11 ~~ultimate supplier may require, at the expense of the aggregator or aggregated group.~~

17 II. THE EDUCATIONAL OUTREACH PROGRAM

18 Q. What issues with respect to aggregation should the Department consider in
19 formulating a program to educate consumers?

20 A. Section 17 of Public Act 98-28, An Act Concerning Electric Restructuring (the
21 “Act”), requires that the DPUC implement a comprehensive public education
22 outreach program to educate customers about the implementation of retail
23 competition. To promote the public’s familiarity with aggregation as it relates to
24 choice, the outreach program should include a full explanation of aggregation
25 and other supply options. Specifically, comprehensive educational
26 communications (such as brochures) should cover these points:

- 27 • Definition of aggregation, including a description of its purpose and potential
28 benefits

- 1 • How to make informed decisions - helpful hints about things to consider
2 such as:
3 • Ensuring an aggregator is licensed;
4 • Understanding an aggregator's terms;
5 • Understanding who the aggregator represents and what type of
6 aggregator they are; and
7 • Understanding a customer's rights to switch aggregators/ suppliers if
8 they choose.

9 The outreach program should also provide customers with a toll-free number
10 and a Web site to answer questions and provide additional information about
11 aggregation.

12

13

14 **III. BILL FORMAT**

15 Q. Does CL&P believe any special billing format requirements need to be taken
16 into account ?

17 A. Aggregation would not necessarily have any impact on bill format since
18 customers will contract directly with suppliers. A supplier whether they actually
19 own generation, contract for generation or buy it on the open market, is not
20 germane to the Distribution Company, as long as some entity is contractually
21 responsible for meeting the load. The relationship between aggregators and
22 customers will be invisible to the distribution company. Distribution Company.
23 It's that clear. CL&P believes the bill should include information only pertaining
24 to the electric supplier, not the aggregator.

25

26

1 **IV.** **SOLICITATION PROCEDURES**

2 Q. What restrictions should the Department place on solicitation by aggregators?

3 A. The release of customer information to a third party raises sensitive privacy
4 concerns. Aggregators should not have unrestricted access to a customer's usage
5 history as part of the marketing process. Customer information should not be
6 released to aggregators without the express consent of the customer.

9
10 **V.** **CUSTOMER INFORMATION FOR MAKING INFORMED CHOICES**

11 Q What is the Company's position on " linformation requirements that assist
12 customers in making informed choices about purchasing electricity" ?

13 A. As stated above, the Company supports public education outreach to facilitate
14 informed choice and to enable customers to thoroughly review offers. Further,
15 the Company supports Connecticut legislation requiring the DPUC to maintain a
16 list of licensed electric aggregators.

18
19 **VI.** **THE RIGHT TO CHANGE SUPPLIERS**

20 Q In a restructured electric utility industry, customers will have the right to choose
21 among service providers and to change service providers. Does the distribution
22 company have a role in moderating disputes between the customer and the
23 supplier?

24 A. Once a supplier transmits the appropriate switching information to a distribution
25 company, the distribution company will implement the switch. Should any dispute
26 then arise between the former or new supplier and a customer, the distribution

1 company should not be the party to resolve the dispute or be actively involved in the
2 dispute. The key challenge, in finding a workable method for switching suppliers,
3 will be to protect the customer while fostering the functioning of a competitive
4 market.

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7 **VII. THIRD PARTY VERIFICATION REQUIREMENTS**

8 **Q.** Are the protections against unauthorized switching of customers adequate or should
9 the Department set forth more extensive safeguards and remedies in its Competitive
10 Supplier registration rules to avoid “slamming?”

11 **A** The Company agrees that “slamming” poses the same real threat to electric
12 customers that it has to telecommunications customers. In a restructured
13 electric utility industry, customers will have the right to choose among service
14 providers and to change service providers. Slamming takes that choice away
15 from customers, often without their knowledge and distorts the competitive
16 market by rewarding companies that engage in deceptive and misleading
17 practices. In general, the distribution companies will rely on the supplier’s
18 submission of information and of its compliance with the Department’s
19 requirements for enrollment authorization. Thus, CL&P believes that the
20 Department’s enforcement of a clear code of conduct for suppliers, through
21 penalties, including loss of certification, will be needed to ensure that unauthorized
22 switching, (i.e., slamming) does not become a problem in Connecticut.

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25 **VIII. DOES THE COMPANY BELIEVE THAT LICENSING REQUIREMENTS**
26 **FOR AGGREGATORS BE MODERATED?**

27 Licensing requirements for aggregators are already somewhat moderated, as
28 shown below in the following table which summarizes the legislative
29 requirements for suppliers and aggregators :

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<u>Requirement</u>	<u>S</u> <u>u</u> <u>p</u> <u>pl</u> <u>ie</u> <u>r</u>	<u>Ag</u> <u>gre</u> <u>gat</u> <u>or</u>
Technical, managerial and financial capability to provide electricity and maintain a bond to assure delivery	ü	ü
Compliance with FERC licensing requirements	ü	
Registered with ISO or have a contractual relationship with someone who is	ü	
Own or Purchase adequate capacity to cover customers' load	ü	
Facilities are consistent with environmental provisions of act (Section 24) and other state environmental laws	ü	ü
Compliance with national labor relations act and CT unfair trade practices	ü	ü
Compliance with portfolio standards in act (Section 25)	ü	
Agreement to follow rules during emergency	ü	ü
Act consistently with -code of conduct	ü	ü

1

2 These requirements appear adequate at this time. Only time and experience
3 will determine what additional licensing requirements are may be needed or what
4 requirements should be eliminated. The Act's requirement for the Department
5 to monitor the market for abuses will allow licensing mandates to be adjusted
6 over time.

7

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9 **IX. DOES THE COMPANY BELIEVE LICENSING REQUIREMENTS SHOULD BE**
10 **IMPOSED ON MUNICIPALITIES AND OTHER POLITICAL SUBDIVISIONS**
11 **THAT AGGREGATE?**

12 Because of the unique nature of municipalities, it may be possible to have less
13 burdensome requirements. For instance, Bbonding requirements may not be
14 needed because we know where they live and we know their financial
15 wherewithal is supported by their ability to tax.

16

17 ~~**X. DOES THE COMPANY BELIEVE LEGISLATIVE CHANGES ARE NEEDED TO**~~
18 **FACILITATE AGGREGATION?**

19 **No, the existing legislation is sufficient to facilitate aggregation.** In opening
20 comments the Company stated that aAggregators have an important role, but
21 should not be unduly constrained by extensive standards and procedures ,
22 except as the market dictates over time.

23

24 **THE CUSTOMER AND THE ROLE OF THE AGGREGATOR**

1 Q. Please discuss how the Department should distinguish between aggregators who
2 sell electricity at retail and those who don't and whether it is also important for a
3 customer to understand differences/distinctions in those roles?

4 A. CL&P believes that there are some important distinctions to be made. The term
5 aggregator can mean different things to different people. Generically, the term
6 seems to imply to an entity that gathers a group of customers in order to arrange for
7 electricity supplies. However, there appear to be two general categories of
8 aggregator: (1) an aggregator that acts as an agent and merely brings together the
9 buyers and sellers; and (2) an aggregator that actually buys electricity and sells it to
10 its buyer group. Aggregators have an important role to play in bringing market
11 leverage to residential customers, small commercial customers and others who
12 might not be able to access the benefits of a competitive market.

13 • Smaller businesses and residential customers typically don't have the resources
14 that larger customers have to arrange energy from an alternative supplier.

15 • Profit margins for energy are narrow and energy suppliers often do not have
16 resources to market to small businesses and residential customers. Aggregators
17 of small customers serve a viable marketing channel for suppliers.

18 • Aggregators can assuage some consumer fears. They can study the options,
19 negotiate with suppliers and ease the path to an alternate, reliable energy
20 supply.

21 The danger from a consumer protection point of view which needs to be explicitly
22 stated to the customer is that of self dealing. That customers should explore
23 affiliations that power suppliers have and examine whether they give
24 preferential terms to those aggregators they have alliances with versus those
25 they don't have alliances with.

26

27 XII. THE EDUCATION OUTREACH PROGRAM

28 Q. What is the best approach to educating consumers about aggregators and
29 the changing marketplace to help them understand their choices?

1 **A.** To promote the public’s familiarity with aggregation as it relates to choice,
2 the DPUC’s Education Outreach Program should include a full explanation
3 of aggregation. Specifically, comprehensive educational communications
4 (such as brochures) should cover these points:

- 5 • Definition of aggregation, including a description of its purpose and
6 potential benefits
- 7 • How to make informed decisions - helpful hints about things to consider
8 such as:
 - 9 • Ensuring an aggregator is licensed;
 - 10 • Understanding an aggregator’s terms;
 - 11 • Understanding who the aggregator represents and what type of
12 aggregator they are; and
 - 13 • Understanding a customer’s rights to switch aggregators if they
14 choose.

15 Further, when customers contact the DPUC’s toll-free number or Web site
16 with questions about aggregation, the Education Outreach Program’s staff
17 would need to field questions and provide additional information.

18
19 **2. BILL FORMAT**

20 **Q.** Does CL&P believe any special billing format requirements need to be
21 taken into account ?

22 **A.** The law states that the customer contracts directly with the supplier.
23 CL&P therefore recommends that the bill should reflect congruence
24 with this relationship and include information only pertaining to the
25 electric supplier, not the aggregator.

1 **3. SOLICITATION PROCEDURES**

2 **q. On and after July 1,1999, electric companies will make available to all**

3 **suppliers the name, address, telephone number and rate class of all**

4 **customers who are eligible to participate in the competitive market. As**

1 **stated in the legislation, CL&P will send out a form, approved by the**

2 **DPUC, to customers that they can fill out if they do not wish to**

3 **participate in the competitive market. Misleading advertising is**

1 prohibited and suppliers must comply with telemarketing regulations

2 adopted under 15 USC 6102. The release of Customer information to a
3 third party raises sensitive privacy concerns. Should these privacy
4 considerations mandate strict rules to ensure that proprietary Customer
5 information is not released without the express consent of the Customer?

6 ~~A Competitive Suppliers should not have unrestricted access to a~~
7 ~~Customer's usage history as part of the marketing process.~~
8 _____

9

10 4. CUSTOMER INFORMATION FOR MAKING INFORMED CHOICES

11 Q What is the Company's position on "Information requirements that assist
12 customers in making informed choices about purchasing electricity" ?

1 **A. To facilitate informed choice, the Company supports public education on**

2 **aggregation to enable customers to thoroughly review offers. (Point 1.)**

1 Further, the Company supports Connecticut legislation requiring the DPUC

2 to maintain a list of licensed electric aggregators.

3
4 **5. THE RIGHT TO CHANGE SUPPLIERS**

5 **Q** ~~In a restructured electric utility industry, customers will have the right~~
6 ~~to choose among service providers and to change service providers.~~

7 ~~Does the Distribution Company have a role in moderating disputes~~
8 ~~between the customer and the supplier?~~

9
10 **A.** ~~Once a Supplier transmits the appropriate switching information to a~~
11 ~~Distribution Company, a Utility Company will implement a switch. Should~~

1 ~~any dispute then arise between the former or new Competitive Supplier~~
2 ~~and a Customer, there is broad understanding that the Distribution~~
3 ~~Company should not be the party to resolve the dispute or be actively~~
4 ~~involved in the dispute. The key challenge, in finding a workable method~~
5 ~~for switching Suppliers, will be to protect the Customer while fostering~~
6 ~~the functioning of a competitive market.~~

7
8 **6. THIRD PARTY VERIFICATION REQUIREMENTS**

9 ~~Q. Are the protections against unauthorized switching of Customers adequate or~~
10 ~~should the Department set forth more extensive safeguards and~~
11 ~~remedies in its Competitive Supplier registration rules to avoid~~
12 ~~“slamming?”~~

13
14 ~~A — In general, the Distribution Company will rely on the Supplier’s~~
15 ~~submission of information and of its compliance with the~~
16 ~~Department’s requirements for enrollment authorization. The~~
17 ~~Company agrees that “slamming” poses the same real threat to~~
18 ~~electric customers that it has had to telecommunications customers.~~
19 ~~In a restructured electric utility industry, customers will have the right~~
20 ~~to choose among service providers and to change service providers.~~
21 ~~Slamming takes that choice away from customers, often without their~~
22 ~~knowledge and distorts the competitive market by rewarding~~
23 ~~companies that engage in deceptive and misleading practices. Thus,~~
24 ~~CL&P believes that the Department’s enforcement of a clear code of~~
25 ~~conduct for Competitive Suppliers, through penalties, including loss of~~
26 ~~certification, will be needed to ensure that unauthorized switching, (i.e.,~~
27 ~~slamming) does not become a problem in Connecticut.~~

28 **CONCLUSION**

29 ~~Q. What other witnesses is the Company presenting in this proceeding?~~

1 A. The Company will present a panel of witnesses including _____

2 Q. Do you have any additional comments?

3 A. Yes. The Company thanks the Department for this opportunity to
4 comment on the numerous, complex issues associated with moving to
5 customer choice. We look forward to working with the Department and
6 other parties in implementing changes that are needed in order to make a
7 smooth and effective transition to a competitive generation market.

8 Q. Does this conclude your testimony?

9 A. Yes, the Company thanks the Department for this opportunity to comment on
10 the numerous, complex issues associated with moving to customer choice. We
11 look forward to working with the Department and other parties in implementing
12 changes that are needed in order to make a smooth and effective transition to a
13 competitive generation market.it does.

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15